



CITY OF LODI COUNCIL COMMUNICATION

AGENDA TITLE: Approve Services Agreement with ABD Insurance and Financial Services for benefits administration consulting services (\$28,500) (HR)

MEETING DATE: February 2, 2005

PREPARED BY: Joanne Narloch, Human Resources Director

RECOMMENDED ACTION: That City Council adopt the attached resolution authorizing the City Manager to execute the service agreement with ABD Insurance and Financial Services for benefits administration consulting services for the period March 1, 2005 through February 28, 2006 with an administrative option to renew for another one year period.

BACKGROUND INFORMATION: The City currently contracts with ABD for benefits administration consulting services. ABD is an independent consulting, brokerage and administrative services operation. They are not affiliated with any insurance company, **HMO**, PPO or other benefit vendor. They provide employee benefits services to 152 public sector clients in California, of which 127 are cities. Employee benefits account for **40%** of ABD's business.

As the City's benefits consultant, ABD has taken on a broad range of responsibilities. Fundamentally, they provide consultation and deliver services on any matter pertaining to the operation of the City's employee benefit programs. ABD has reviewed the availability of long-term disability and other ancillary lines of coverage such as life insurance, vision and chiropractic coverage, made recommendations for maximizing benefits within cost constraints, and assisted with implementing selected programs. ABD has provided these services to the City of Lodi over the past four years. Prior to this, another firm performed this function back to 1998.

Human Resources is pleased with ABD's work and has cultivated a strong working relationship with their representatives. It would be unproductive to break up that association prematurely. In the attached agreement, ABD proposes continuing services it presently provides at the current price of \$25,000 annually for another year, with a fee not to exceed \$3,500 (which exists in the current agreement) to provide funding projections for our self-insured dental plan. There is a provision that in the unlikely event the City requests a design alternative at a time other than when this projection is performed, an additional fee may be required. It should be noted that if the City decides to withdraw from the CalPERS Health Program and switch to another health plan provider, ABD's time and resources would be significantly impacted. ABD would need to charge an additional amount for this project. Should any additional fees be necessary, they will be brought back to City Council for its consideration.

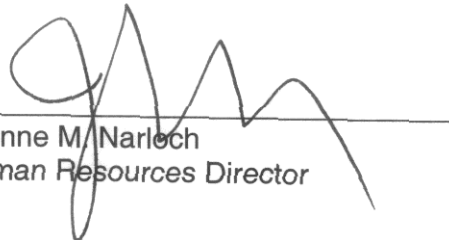
Staff recommends the renewal of the agreement for Benefits Administration Consulting Services with ABD Insurance and Financial Services for one year with an administrative option to renew for another one year period.

APPROVED: 
Blair King, City Manager

FUNDING: Benefits fund 270201.7323.



James Krueger, Finance Director



Joanne M. Narloch
Human Resources Director

cc: City Attorney

CITY OF LODI

CONSULTING AND PROFESSIONAL SERVICES AGREEMENT

THIS AGREEMENT is made at Lodi, California by and between the City of Lodi, a municipal corporation ("CITY"), and ABD INSURANCE AND FINANCIAL SERVICES ("ABD"), a corporation, whose address is **2480 Natomas Park Drive**, Suite 200, Sacramento CA 95825, for insurance benefit consultant services.

IT IS AGREED AS FOLLOWS:

I. SERVICES

Subject to the terms and conditions set forth in this Agreement, ABD shall provide to CITY the services described in Exhibit A entitled Scope of Services. ABD shall provide the services at the time, place and in the manner specified in Exhibit A. ABD shall not be compensated for services outside the scope of Exhibit A unless, prior to the commencement of such services: (a) ABD notifies CITY and CITY agrees that such services outside the scope of Exhibit A are to be performed; (b) ABD estimates the additional compensation required for the additional services, and (c) CITY, after notice, approves the additional services and amount of compensation therefore.

No verbal agreement or conversation with any officer, agent or employee of CITY, either before, during or after the execution of this Agreement shall affect or modify any of the terms or conditions contained in this Agreement, nor shall any such verbal agreement or conversation entitle ABD to any additional payment whatsoever under the terms of this Agreement.

II. COMPENSATION

CITY shall pay ABD for services rendered pursuant to this Agreement at the times and in the manner set forth in Exhibit B in an amount **not** to exceed \$25,000 annually. The payments specified in Exhibit B shall be the only payments to be made to ABD for services rendered pursuant to this Agreement unless, pursuant to Section I above, CITY approves additional compensation for additional services.

ABD will submit quarterly invoices to CITY.

CITY shall not pay any out-of-pocket travel, lodging and incidental expenses incurred by ABD, other than as specified in Exhibit B.

All invoices sent by ABD to CITY shall be paid within thirty (30) days **of** receipt. All billings that remain unpaid after thirty (30) days shall bear interest until paid at the rate of twelve percent (**12%**) per annum or the maximum rate allowed by law, whichever is less. If CITY fails

to pay any invoice within thirty (30) days and such failure continues ten (10) days after ABD gives CITY notice of such failure, ABD shall have the right to terminate **this** Agreement immediately without liability to CITY. The right to terminate under the terms of this section shall be in addition to all other legal, equitable, or contractual remedies available to ABD.

III. TERMS AND CONDITIONS OF AGREEMENT

1. Time for Commencement and Completion of Work ABD shall commence work on March 1, 2005; the contract shall expire on February 28, 2006. Upon mutual agreement of CITY and ABD, there is an administrative option to renew this contract for another one year period commencing March 1, 2006 and expiring February 28, 2007.

2. Advertisements, Permits, Access: ABD represents and warrants to CITY that it has all licenses, permits, qualifications and approvals of any nature whatsoever which are legally required for ABD to practice its profession. ABD represents and warrants to CITY that ABD shall, at its sole cost and expense, keep in effect or obtain at all times during the term of this Agreement, any licenses, permits, and approvals which are legally required for ABD to practice its profession.

3. Relationship of Parties, No Third-Party Beneficiaries: ABD is an independent contractor under this Agreement. This Agreement gives no rights or benefits **to** anyone not named **as** a party to this Agreement, and there are no third party beneficiaries to this Agreement.

4. Subcontracts: No portion of the work or services under this Agreement shall be assigned, transferred, conveyed or subcontracted without the prior written approval of CITY. Independent contractors and subcontractors shall be provided with a copy of this Agreement and shall agree to be bound by its terms. ABD shall be the responsible party with respect to all actions of its independent contractors and subcontractors, and shall obtain such insurance and indemnity provisions from its contractors and subcontractors as ABD and the City of Lodi **Risk Manager** shall determine to be necessary.

5. Reports and Information: ABD, at such times and in such form as CITY may require, shall furnish CITY with such periodic reports as it may request pertaining to the work or services undertaken pursuant to this Agreement, the costs or obligations incurred or to be incurred in connection therewith, and any other matters covered by this Agreement.

6. No Discrimination: In the performance of this Agreement, ABD shall not discriminate against any employee or applicant for employment because of race, religion, color, **sex**, national origin, sexual orientation or medical condition. ABD shall take affirmative action to ensure applicants are employed and that employees are treated during their employment without regard to their race, religion, color, sex, national origin, sexual orientation or medical condition. Such actions shall include, but not be limited to, the following: employment, upgrading, demotion or transfer, recruitment or recruitment advertising, layoff or termination, rates of pay or other forms of compensation and selection for training.

7. Insurance Requirements: During the duration of this Agreement, ABD shall maintain the following noted insurance:

Coverage	Required	Not Required
Commercial General Liability	x	
Comprehensive Vehicle Liability	x	
Workers Compensation and Employee Liability	x	
Professional Liability (Errors and Omissions)	x	

A. Minimum Scope and Limits of Insurance: Coverage shall be at least as broad as:

(1) Insurance Services Office form number CG-0001, Commercial General Liability Insurance, in an amount not less than \$1,000,000 per occurrence \$2,000,000 general aggregate for bodily injury, personal injury and property damage;

(2) Insurance Services Office form number CA-0001, Comprehensive Automobile Liability Insurance, which provides for total limits of not less than \$1,000,000 combined single limits per accident applicable to all owned/non-owned and hired vehicles;

(3) Statutory Workers Compensation required by the Labor Code of the State of California and Employers' Liability Insurance in an amount not less than \$1,000,000 per occurrence. Both the Workers Compensation and Employers' Liability policy shall contain the insurer's waiver of subrogation in favor of CITY, its elected officials, officers, agents, employees and volunteers;

(4) Professional Liability (Errors and Omissions) insurance, appropriate to consultant's profession, against loss due to error or omission or malpractice in an amount not less than \$1,000,000. Architects' and engineers' coverage is to be endorsed to include contractual liability.

B. Deductibles and Self-Insured Retentions: Any deductibles or self-insured retentions must be declared to and approved by CITY.

C. Other Insurance Provisions: The policies are to contain or be endorsed to contain the following provisions:

(1) General liability and automobile liability coverages;

(2) CITY, its elected officials, officers, employees, agents and volunteers are to be covered as additional insured as respects: liability arising out of work or operations performed by or on behalf of ABD; premises owned, leased or used by ABD, or automobiles owned, leased, hired or borrowed by ABD. The coverage shall contain no special limitations on the scope of protection afforded to CITY, its elected officials, officers, employees, agents or volunteers.

(3) The insurance coverage of ABD shall be primary insurance as respects CITY, its elected officials, officers, employees, agents and volunteers. Any insurance or self-insurance maintained by CITY, its elected officials, officers, employees, agents or volunteers shall be in excess of ABD's insurance and shall not contribute with it.

D. Acceptability of Insurers: Insurance is to be placed with insurers with a Bests' rating of no less than A-VII. This requirement may, however, be waived in individual cases provided, however, in no event will a carrier with a rating below B:IX be acceptable.

E. Verification of Coverage: ABD shall furnish CITY with certificates of insurance and with original endorsements affecting coverage required by this clause. The certificates and

endorsements for each insurance policy are to be signed by a person authorized by the insurer to bind coverage on its behalf. CITY may withhold payments to ABD if certificates of insurance and endorsements required have not been provided. The CITY reserves the right to require complete certified copies of all required insurance policies.

F. Indemnity and Hold Harmless: ABD shall indemnify and save harmless CITY, its elected officials, officers, employees, agents and volunteers, and each and every one of them, from and against all actions, damages, costs, liability, claims, losses and expenses of every type and description to which any or all of them may be subjected, by reason of, or resulting from, directly or indirectly, the negligent performance of this Agreement by ABD, whether or not caused in part by passive negligence of the party indemnified hereunder. The foregoing shall include, but not be limited to, any attorneys fees reasonably incurred by CITY.

G. Standard of Performance: ABD shall perform all services required pursuant to this Agreement in the manner and according to the standards observed by a competent practitioner of the profession. All products of whatsoever nature which ABD delivers to CITY pursuant to this Agreement shall be prepared in a professional manner and conform to the standards of quality normally observed by a person practicing the profession of ABD and its agents, employees and subcontractors assigned to perform the services contemplated by this Agreement.

H. Reliance Upon Data, Documents and Records: ABD shall be entitled to rely upon the accuracy and completeness of all data furnished by CITY to ABD that is used by ABD in the providing of services under this Agreement. ABD may retain and use all data furnished to it, except such data which may be marked "confidential" and required to be returned, and may use all plans, designs, specifications and other work product created by ABD in providing services hereunder. Any use of such work product which includes proprietary information shall not identify CITY; nor shall the manner of such use have the effect of identifying CITY.

I. Ownership and Use of Documents and Electronic Media Deliverables: All completed reports and other data or documents, or computer media including diskettes and other materials provide or prepared by ABD in accordance with this Agreement are the property of CITY, and may be used by CITY. CITY shall release, defend, indemnify and hold harmless ABD from all claims, costs, expenses, damage or liability arising out of or resulting from the use or modification of any reports, data, documents, drawings, specifications or other work product prepared by ABD, except use by CITY on those portions of Project for which such items were prepared.

J. Resolutions of Disputes, Attorneys Fees: The laws of the State of California shall govern the interpretation of and the resolution of disputes under this Agreement. If any claim, at law or otherwise is made by either party to this Agreement, the prevailing party shall be entitled to its costs and reasonable attorneys' fees.

K. Termination: CITY shall have the right to terminate this Agreement at any time by giving thirty (30) days' written notice of such termination to ABD. In the event CITY shall give such notice of termination, ABD shall cease rendering services pursuant to this Agreement.

1. In the event CITY shall terminate this Agreement: (a) CITY shall have full ownership and control of all writings which have been delivered by ABD pursuant to this Agreement and all drafts of reports and writings which form the basis for any writing or report which would have been otherwise delivered to CITY pursuant to this Agreement; (b) CITY shall pay ABD the reasonable value of services rendered by ABD pursuant to this Agreement provided, however,

CITY shall not in any manner be liable for lost profits which might have been made by ABD had ABD completed the services required by this Agreement. In this regard, ABD shall furnish to CITY such financial information as in the judgment of the CITY representative is necessary to determine the reasonable value of the services rendered by ABD.

L. Compliance with Laws: ABD shall comply with all applicable laws, ordinances, and codes of the federal, state and local governments.

M. Representatives of the Parties: The CITY representative for this Agreement is Joanne Narloch, Human Resources Director. All questions pertaining to this Agreement will be referred to the above named person, or the representative's designee.

N. The ABD representative for this Agreement is Tem Ezaki telephone number **(916) 480-2827**, FAX number **(916) 631-8158**. All CITY questions pertaining to this Agreement will be referred to the above named person.

O. Notices: All notices, requests, demands and other communications hereunder shall be deemed given only if in writing signed by an authorized representative of the sender (may be other than the representative referred to in Paragraph 17 above), and delivered by facsimile with a hard copy mailed first class, postage prepaid, or when sent by a courier or express services guaranteeing overnight delivery to the receiving party, and addressed to the respective party as follows:

To CITY: City of Lodi
Human Resources Department
Attn: Joanne Narloch
Human Resources Director
221 West Pine Street
Lodi, CA **95241-1910**

To ABD: ABD Insurance and Financial Services
Attn: Terri Ezaki
2480 Natomas Park Drive, Suite 200
Sacramento CA **95825**

P. Entire Agreement: This document, including all exhibits, contains the entire agreement between the parties and supersedes whatever oral or written understanding they may have had prior to the execution of this Agreement.

Q. Severability: If any portion of this Agreement or the application thereof to any person or circumstance shall be invalid or unenforceable to any extent, the remainder of this Agreement shall not be affected thereby and shall be enforced to the greatest extent permitted by law.

R. Headings, Assignment and Waiver: The headings in this Agreement are inserted for convenience only and shall not constitute a part hereof. Neither party to this Agreement shall assign its duties and obligations hereunder without the prior written consent of the other party. A waiver of any party of any provision or a breach of this Agreement must be provided in writing

and shall not be construed as a waiver of any other provision or any succeeding breach of the same or any other provisions herein.

S. Authority: The undersigned hereby represent and warrant that they are authorized by the parties to execute this Agreement. In addition, ABD represents and warrants the following: ABD Services is a corporation, organized under the laws of the State of California; the copies of the documents evidencing the organization of ABD which have been delivered to CITY are true and complete copies of the originals, as amended to the date of this Agreement; Terri Ezaki has full right, power and lawful authority to undertake all obligations as provided in this Agreement and the execution, performance and delivery of this Agreement by Tem Ezaki has been fully authorized by all requisite actions on the part of ABD Insurance and Financial Services.

T. Date of Ameenent: The date of this Agreement shall be the date it is signed by CITY

IN WITNESS WHEREOF, CITY and ABD have executed this Agreement below:

CITY OF LODI
A Municipal Corporation

Dated: _____, 2005

By: _____
Blair King, City Manager

By: _____
Joanne Narloch, Human Resources Director

ATTEST:

APPROVED AS TO FORM:

Susan Blackston, City Clerk

By: _____
D. Stephen Schwabauer, City Attorney

ABD INSURANCE & FINANCIAL SERVICES
A Corporation

Dated: _____, 2005

By: _____
Linda Hunter, Executive Vice President

Attachments:
Exhibit A - Scope of Work (proposal)
Exhibit B - Fees

CITY OF LODI
Benefits Consulting Services
Scope of Services

Exhibit A

Note: All services exclude medical programs due to the City of Lodi participating in Cal PERS.

1. Review the operation of the City's long-term disability and ancillary employee benefits from the standpoint of loss ratio, claims expenses, premium generation, provider contracts with long term disability, and other relevant factors.

ABD would review the history of the City's long term disability utilizing all data that was made available. Fully exploring the options available to a client is central to providing the best service. It begins by understanding the goals and objectives of the organization so that appropriate options are explored. An understanding of both the financial constraints and the level of benefits desired needs to be reviewed in order to target appropriate options. Also, it is important to review past practices and the MOUs in place to assure all needs are being met.

If the City were to decide to implement a program change, ABD would be available to assist in the development of an implementation plan so any changes that occur are effectively communicated and understood by the employees. Some of the items that would be available include summary of benefit plan design changes including the rationale behind the recommendation, agendas and discussion outlines, and if requested, ABD personnel would be available to attend negotiating sessions between City management and bargaining units when health and welfare programs are being discussed

2. Review availability of alternative long-term disability and ancillary plan insurers and plan designs in the local market place, make recommendations maximizing benefits within cost constraints, and assist with implementation of selected recommendations,

Our approach would involve a thorough review of the City's employee group insurance programs to evaluate and comprehend the current situation. A meeting with pertinent City representatives to identify program objectives and potential cost containment strategies would follow concluding with the development of short and long-term goals designed to attain the objectives set. Such goals could include:

- Incorporating managed care techniques and cost control planning in order to regulate spending growth;
Considering emerging benefit trends and products and how they might affect the City's program, including planning for their impact;
- Securing cost projections for actual or hypothetical changes in the non-medical healthcare programs;
- Responding to the effect that various government regulations and legislation have on the City's plans;
- Offering Employee Survey samples that could be used to evaluate the pulse of City employees;
- Assisting in the development of an implementation plan, so any plan changes that occur are effectively communicated to participants.

ABD will work with the City in the preparation of requests for proposals, bid specifications, evaluation criteria, proposal response review, negotiations and contracting for all components of the benefit

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Scope of Services

E x h i b i t A

programs. The setting of specifications is an essential step in the development of successful benefits programs.

In addition, XBD will review all aspects of a vendor's proposal to verify the highest of standards are maintained with respect to customer and administrative services. We will develop pertinent criteria to assist in evaluation by which insurance companies or administrators would be measured. If required, a review of funding methodology (retention, expected claims cost, trend, etc.) will be performed to confirm appropriateness. Only vendors whose financial strength and performance are well established and documented are solicited as possible providers.

One of ~~our~~ outstanding skills is our ability to break down the operation of each alternative ~~so~~ that our clients can clearly understand how each option works. After ~~our~~ initial evaluation is complete, ABD will help with the decision-making process by providing a simple clear overview of the alternative under consideration.

The next step is to provide answers to the following questions:

- How does the alternative work? What is required of the employer? Employee?
- How does it differ from the current plan?
- What are the benefits and drawbacks of the proposed alternatives under consideration?
- What are the long term and short term affects to costs, benefits and premiums?

This process provides a clear picture of the issue under consideration and facilitates sound decision making.

3. ***Provide ongoing consultation and advice on City coverages including advice on design of ancillary benefit programs relative to changes in employee demographics, legal requirements, impact of taxation, legislation, benefit trends, government programs and mandated benefits and local market provider availability.***

Members of the Consulting Team will work closely with the management and employees to monitor the ancillary benefit plans. Providing on-going consultation and advice pertaining to the plans is an integral component of our services. As data is available, ABD will review and discuss with the City emerging claim experience results, mid-year renewal forecasts and any new benefit industry or other related industry developments that have the potential to impact the City from a cost or benefit aspect. Additionally, it is important that ABD be notified of any changes within the City that would have the potential to have an effect on the benefits program; thus, enabling ABD to provide advice to mitigate any negative consequence.

4. ***Attend meetings upon request of the City for the purpose of providing subject matter expertise and reviewing services provided in items 1 through 3 above. Anticipate up to six separate appearances in the first year of contracted services; thereafter, if contract is renewed, attendance should be limited to two or three meetings per year.***

ABD staff would attend committee and other meetings as requested to provide education and descriptive materials as needed. Our straightforward approach and use of clear, concise description of options and issues facilitates the decision making process. Credibility is created when the group has clear understanding of the issues they are discussing.

CITY OF LODI
Benefits Consulting Services
Scope of Services

Exhibit A

Each client works with a Consulting Team. This approach has proven to be successful with our firm and clients, as it involves up to three staff members with each account on a regular basis. Each team has a Lead Consultant who is responsible for the overall management of the client while the Senior Account Manager and Account Coordinator are responsible for the daily administration. Generally, both the Senior Account Manager and Lead Consultant attend ~~all~~ regularly scheduled meetings. However, there are occasions when only one of the two is in attendance but there is always a member of the team present. Representation would be dependent upon scope of the meeting.

5. *Provide consultation or other services as requested on any matter pertaining to the operation of the City's ancillary benefit programs.*

In today's market, a Broker/Consultant's role needs to not only encompass the ability to analyze benefit programs and negotiate a competitive price but also needs to be an extension of the client's personnel/human resource functions. ABD employs a wide variety of individuals whose combined talents create an atmosphere of in depth knowledge in all facets of employee benefits. If the answer is not immediately known, the resources are supplied to obtain the response. It is imperative that a client is provided technical expertise, objective advice and superior customer service.

6. *Upon request of the City, potentially upon short notice, produce probable cost of actual or hypothetical changes in the City's ancillary benefit programs.*

By having an Underwriting Team, XBD is able to provide its clients with data regarding hypothetical changes without difficulty. Time frames are always confirmed with the client and deadlines are met.

7. *Assist the City with preparing specifications and requests for proposals to be submitted to prospective carriers/providers of employee benefits. Note: The Broker/Consultant shall be prohibited from competing for the services covered by an RFP.*

Over the years, ABD has developed a broad knowledge of the insurance carriers and the respective products available, third party administrators and networks. This knowledge is based upon the extensive experience of the professional staff at ABD. We have direct, "hands-on" experience in the development of managed care networks, provider reimbursement and contracting, benefit product development and product pricing.

We would assist the City in the identification of carriers/TPAs/networks offering specific services that meet program objectives and help the City in the selection, negotiation and contract development process with the chosen carriers/TPAs/networks. In addition, we would assist the City as needed in communicating plan modifications (as well as benefits in general) to employees.

We would assist the City in the preparation of a RFP, evaluation criteria, proposal response review, negotiation, contracting and communications process, up to one time each year for plan modifications or renewal bidding.

Once the program components have been evaluated and recommendations made for plan modifications, alternatives would be assessed and developed. We would provide assistance during the implementation of plan changes or modifications to the extent necessary to provide a smooth transition.

8. *Analyze proposals received from carriers in terms of premium, retention, policy provisions, plan design, administrative services, financial strength, claims handling, customer service, and stability of performance.*

CITY OF LODI
Benefits Consulting Services
Scope of Services

Exhibit A

An integral part of ABD's role in working with a client is to manage the renewal and potentially bid process. ABD will: assemble bid specifications; identify qualified bidders; manage bidder queries; analyze and condense submitted proposals; present findings with recommendations; and prepare any type of executive summary that is required.

9. *Monitor, and participate, as necessary, the writing of insurance contracts in cooperation with the provider(s) and City.*

Reviewing insurance contracts for accuracy, appropriateness and compliance is an integral portion of the services provided to our clients.

10. *Assist the City in administering its self-insured dental, vision, LTD, and life insurance plans; respond to questions from, and provide information to City staff; settle claims disputes; and provide other oversight services during the course of the contract.*

Members of the Consulting Team will work closely with the management and employees to monitor the ancillary benefit plans. Providing on-going consultation and advice pertaining to the plans is an integral component of our services.

ABD is committed to providing exceptional service to all its clients. Our greatest asset is the quality of staff. We believe that they are uniquely qualified to offer operational and technical consultation to our clients.

ABD would provide consulting regarding on-going plan administration issues, including health plan operations, billing administrator to resolve matters pertaining to claims and eligibility issues. As appropriate, we would provide recommendations for preventing or minimizing specific types of claims and eligibility problems in the future.

The account managers and other support staff are very familiar with resolving problems that are faced by individual members when dealing with medical providers. Staff takes a great deal of pride in obtaining timely, fair resolutions.

Additionally, where appropriate, ABD would serve as a representative for the City in meetings and in communications with carriers and TPAs on important administrative matters, including contract compliance.

It is of great importance that plan documents remain current and are updated as necessary. ABD would monitor legislative requirements that would produce a change to the City and work in tandem with the administrator to assure compliance.

12. *Participate in the development of a cost containment strategy for the City as required.*

First, there must be an understanding of the goals of the client. What is the priority? Cost? Benefits? Provider access? Then, within the bargaining environment, there needs to be an awareness of the relationship between management and labor and what has been previously discussed. Is there an openness to a change in the contribution strategy? Is there an understanding of what is effecting the costs?

Next, the consultant needs to be aware of market conditions, what carriers are writing what type of business, what the trend factors being utilized, what are the differences in benefit designs, etc. What is possible?

Exhibit A

The team that would be responsible for the City, takes the time to know the client, evaluates what is important and approaches the development of a cost containment strategy from a position of knowledge. Additionally, ABD personnel have developed relationships and have the volume of business with carriers to get the maximum benefit for the dollar being spent. Also, ABD associates have the technical skills to question the underwriting.

Lastly, it is imperative the consulting team have the ability to listen to a client's objectives and goals, to analyze them and then to advise the client the best method to meet them. There must be willingness and desire to "think outside the box" and to be creative in problem solving.

12. Advise the City on performance measurement standards ~~for~~ insurance companies and new trends and developments in the employee benefit field, including state and federal legislation.

ABD's staff regularly attends seminars on new and changing state and federal legislation as well as keeping abreast of changes in the employee benefit/human resources arena. We are able to translate often complex and confusing legislative bills into simplified and manageable synopses. In addition, we keep an extensive, up to date library in-house for reference and referral.

ABD will:

- Inform the City of emerging benefit trends and products and plan for their impact;
- Inform the City of pending government regulations and legislation and respond to the potential effect on the City's plans;
- Provide timely communication materials explaining any significant changes;
- Review carrier contracts to assure current legislation is correctly stated.

Keeping current with the marketplace is a key element to assisting in the successful management of a benefit program

13. Review and evaluate periodic reports of claims experience and other statistical reports submitted by insurance providers and report findings to City.

ABD will provide statistical reports reviewing all available utilization data, cost containment data, enrollee distribution, provider status and provide analysis of the data in a time frame that meets the City's needs. We are able to summarize usage trends and program element effectiveness into a simple report with detailed backup as appropriate.

The approach to reviewing the experience of a group is to understand the fixed and variable costs, to have a point of reference with respect to trend, and to have a clear picture of the demographics of the group. Reviewing the experience of a group is imperative in representing the client appropriately. Negotiating with carriers or reviewing self-funded projections without knowledge is unacceptable. When presenting numbers to a group that will effect the bottomline of the organization, an accurate analysis including a comparison to past performance of the plan and other similar groups is essential.

14. Conduct bi-annual analyses of all self – insured programs, including recommendation of appropriate premium rates and liability accounting data to meet GASB reporting requirements.

For the City of Lodi, our Underwriting Team would provide the following items and services:

CITY OF LODI
Benefits Consulting Services
Scope of Services

Exhibit A

- A bi- annual written report projecting adequate funding levels for all self-insured plans (dental);
- evaluation of overall premium levels, cost relationships between plans, and the financial impact of proposed plan changes;
- recommendations on reserve levels;
- analysis and reporting to meet GASB requirements.

15. Participate in negotiations with carriers regarding premium rates and conditions and advise the City accordingly.

ABD actively pursues the best prices and quality for services provided to our clients. We utilize all tools available to support our negotiations. We not only review data from a technical perspective, but also include in our negotiations the emotional or market condition arguments.

As part of the review process, we will examine requests for premium or fee adjustments. We will determine whether the proposed increase is competitive and reasonable based on the experience of the plans and market conditions. If necessitated, ABD would shop the market for alternate plan options or more competitive plans. A full analysis and summary for each of the renewal proposals with recommendations for action will be presented to the City.

16. Attend, when requested, as a subject matter expert, negotiation sessions between the City and employee bargaining units.

ABD is committed to understanding the needs of municipal clients, which includes the ability to ask the Consultant to occasionally participate as a technical expert in negotiation sessions. ABD personnel assigned to the City's consulting team are experienced in providing technical expertise and objective advice in the bargaining environment knowing the information being provided effects the decision making process.

17. Assist the City in obtaining, preparing, and distributing ancillary benefit plan literature and materials and maintaining inventories of these materials.

ABD will request, draft, review and edit descriptive literature and plan documents as needed for the City's ancillary benefit programs.

18. Assist the City in educating employees regarding the features of existing ancillary benefit programs, implementing changes to existing programs, or implementing entirely new programs. This includes preparing employee handbooks and/or descriptive literature and attending workshops and meetings as necessary as determined by City staff.

Education and communication are the cornerstones of successful plan changes and implementation. Our straight forward approach and use of clear, concise description of options and issues facilitates the decision making process. Credibility is created when the group has a clear understanding of the issues they are discussing.

Reviewing and preparing employer information is standard operating procedures. An ABD staff member will attend employee meetings as required.

CITY OF LODI
Benefits Consulting Services
Fee Schedule

E x h i b i t B

1. Schedule of compensation shall be structured as follows:

- a) ~~Consulting~~ Services –proposed maximum annual fee for services rendered as outlined in Scope of Work.*

ABD Insurance and Financial Services agrees to accept the annual fee of \$25,000 as full remuneration for performing all services and furnishing all staffing and materials necessary for fulfillment of the duties outlined including travel expenses unless stated otherwise.

The fee has been calculated using the following assumptions:

- 1) ~~Six~~ (6) meetings held Year One; if agreement is renewed, three (3) meetings held Year Two;
 - 2) Each meeting ~~will~~ require 4- 5 hours including travel;
- b) Biannual study for self insured programs- flat fee basis only.*
- 1) Funding projections for the self-insured dental plan will be performed bi-annually; at a fee not to exceed \$3500;
 - 2) Should a review of benefit ~~design~~ alternatives be requested at a time other than at the time of the biannual projection, an additional fee may be required. Such fee would be mutually agreed upon at that time.
- c) For services rendered to the City, the Broker/Consultant may be entitled to commission and service allowances paid by insurance carriers in connection with the City's insurance programs. However, any such commission or service allowance shall serve to offset the maximum annual fee.*

ABD agrees to collect commissions to offset agreed upon annual fee in (a). An annual stop reconciliation would occur no later than three (3) months following anniversary.

RESOLUTION NO. 2005-20

A RESOLUTION OF THE LODI CITY COUNCIL
APPROVING AGREEMENT WITH ABD INSURANCE
AND FINANCIAL SERVICES FOR BENEFITS
ADMINISTRATION CONSULTING SERVICES

=====

NOW, THEREFORE, BE IT RESOLVED that the Lodi City Council hereby authorizes the City Manager to execute an Agreement with ABD Insurance and Financial Services for benefits administration consulting services in the amount of \$25,000.00 annually for the period March 1, 2005 through February 28, 2006, with an administrative option to renew for an additional one-year period; and

BE IT FURTHER RESOLVED that the Lodi City Council hereby authorizes an additional fee not to exceed \$3,500 for a biannual analysis of the City's dental plan; and

BE IT FURTHER RESOLVED that Benefit design alternatives requested to be reviewed, other than at the time of bi-annual projections, will incur additional fees to be mutually agreed upon at that time.

Dated: February 2, 2005

I hereby certify that Resolution No. 2005-20 was passed and adopted by the City Council of the City of Lodi in a regular meeting held February 2, 2005, by the following vote:

AYES: COUNCIL MEMBERS – Hansen, Hitchcock, Johnson, Mounce,
and Mayor Beckman

NOES: COUNCIL MEMBERS – None

ABSENT: COUNCIL MEMBERS – None

ABSTAIN: COUNCIL MEMBERS – None



SUSAN J. BLACKSTON
City Clerk